Second Progress Report

on the Action Plan for
Strengthening Administration of Grants and Contributions

August 2000

Human Resources Development Canada
Développement des ressources humaines Canada
Canada

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Executive Summary

Between May and July 2000, Human Resources Development Canada's Performance Tracking Directorate confirmed that there have been significant improvements in the administration of grants and contributions. An independent assessment determined that HRDC is on track with implementation of the Six-Point Action Plan. The department introduced a quality assurance process and strengthened its accountability structures and management processes to ensure that the improvements are permanent.

The HRDC **Performance Tracking Directorate reported its first assessment**. That group reviewed files from projects that began in February and March 2000, and as such, the first report is able to provide a comprehensive assessment relating to applications, contracting and recommendations and approval. As these projects proceed, the Tracking Directorate's subsequent reports will be able to provide a more complete assessment of the project life cycle including payments, monitoring, and follow up and evaluation activities. At this stage, the Directorate concludes that HRDC has continued to make significant progress in responding to the issues identified in the 1999 audit of grants and contributions. Some issues were identified as requiring more attention, such as confirmation of funding from other sources and full adherence to program terms and conditions. The department has since taken action to strengthen these areas.

PricewaterhouseCoopers conducted an **independent assessment of HRDC s implementation of the Six-Point Action Plan**. The consultants analyzed Action Plan results to date, and found that 36 of 38 commitments had been completed or were on schedule. Deadlines were extended in two instances relating to new computer systems and training materials. These were adjustments to interim steps that will not affect the timely implementation of the Action Plan.

HRDC introduced a **quality assurance initiative** for grants and contributions. This process is designed to promote early detection and correction of possible problems with projects. The initiative includes increased project monitoring and has made available additional financial and program expertise in local and regional offices across Canada.

The department is **strengthening its accountability structures and management processes**. In June, the Government announced that it was closing down the Canada Jobs Fund and redirecting associated funding to its regional economic development agencies. This action supports a clearer HRDC focus on its core social policy mandate and assists the department to strengthen grants and contributions administration. In addition, HRDC is clarifying roles and authorities in policy, program development, service delivery, corporate services and regional operations. It is revising the mandate and composition of its senior management committees and structures to ensure stronger corporate oversight.

The quality assurance initiative and the changes to the accountability structures build on the administrative improvements to grants and contributions programs introduced under the Action Plan and will result in permanent, department-wide improvements in the management of all HRDC programs.

The next Progress Report on the Six-Point Action Plan will be made public in late fall.

Background

In 1999, HRDC conducted an audit of project file documentation for seven grants and contributions programs. That audit found areas for improvement related to contracting procedures, project monitoring and general financial practices and prompted the department to initiate corrective action.

In January 2000, the Minister of Human Resources Development, the Honourable Jane Stewart, announced implementation of an Action Plan on Grants and Contributions to strengthen program administration. The Action Plan involves six initiatives: ensure payments meet financial and program requirements; check and correct problem files; equip and support staff; ensure accountability for results; get the best advice available; and report progress to the public and staff.

Since that time, HRDC has continued to make significant progress in responding to the issues identified in the 1999 audit. In addition, building on the Action Plan, the department has taken broader initiatives to modernize its administrative and management practices.

Activities between January and April were covered in the first Progress Report, released on May 18, 2000. This second Progress Report covers activities between May and July 2000. In particular, it details HRDC actions related to four commitments that were highlighted in the first report:

- ✓ Providing the results of the Performance Tracking Directorate's first assessment of files;
- ✓ Conducting an independent assessment of HRDC's work on implementing the Six-Point Action Plan;
- ✓ Introducing a quality assurance initiative for grants and contributions; and
- ✓ Strengthening accountability structures and management processes.

Action Plan Highlights May to July 2000

Providing the results of the Performance Tracking Directorate s assessment of files

HRDC implemented a substantial set of actions between January and May to ensure that its administration of grants and contributions complies fully with legislation, program terms and conditions and policies. The department clarified the rules governing file documentation, trained staff to implement these

requirements, and subsequently reviewed all audited and active files to ensure that they complied with program and financial standards.

As a further step in this process, the national grants and contributions Performance Tracking Directorate was established to report quarterly on how well the department is meeting these requirements in practice. As part of the Minister's commitment to openness and transparency, this and future Tracking Directorate reports will be made public.

The Tracking Directorate provides a snapshot of how well the department is complying with required administrative practices. Over time, the reviews will give a complete indication of whether the department has met and maintained the standards it has set for itself as projects mature through key elements of their lifecycle. This cycle begins with the receipt of applications and continues until the file is closed.

The Tracking Directorate analyzed a statistically valid sample of 142 files from among the 1,534 projects that started between February 1, 2000 and March 31, 2000. The first report provides a comprehensive assessment relating to applications, contracting and recommendations and approval. As these projects proceed the Tracking Directorate's subsequent reports will be able to provide a more complete assessment of the whole project life cycle including payments, monitoring, and follow up and evaluation activities. The Tracking Directorate's methodology has been reviewed with the Office of the Auditor General and the results of the August report have been presented to them.

The Directorate's first quarterly report of August 2000 concluded that "... there has been a significant, measurable improvement in overall program management and administration of grants and contributions since the 1999 IAB audit."

The report showed that:

- ✓ The administrative weaknesses identified in the 1999 audit have been corrected to a great extent as a result of the Department's implementation of its Six-Point Action Plan (see text box below);

- ✓ There was a high level of compliance with the directives and guidelines that HRDC had issued beginning January 20, 2000;

- ✓ Supporting financial documentation from sponsors was available to substantiate claims made to HRDC.

Key Tracking Directorate findings compared to the 1999 audit:

Applications:

- ✓ 100% of the files had an application for funding, up from 85.2% in the original 1999 audit
- ✓ 99.3% of the files included objectives and activities, up from 75%

Project Assessment:

- ✓ 95.7 % of the sponsors were checked for outstanding debt, up from 2.6%

Recommendation and Approval:

- ✓ 96.5% of the agreements included a clear rationale for funding, up from 38%

Contracting:

- ✓ 96.5% of the files had a complete statement of authorized expenses, up from 83.7%
- ✓ 100% of the files were signed by the properly delegated officer, up from 86.6%

Payments:

- ✓ 99.2% of project claim forms had been signed off properly, up from 70.9%

Monitoring:

- ✓ 95.1% of the applicable files were monitored for achievement of expected results, up from 23.4%

(The results quoted above have a confidence level of 90 per cent or higher.)

This report confirmed that the implementation of the Action Plan is working and that the department has made substantial progress on the administrative challenges identified in the 1999 audit.

The report also identified areas for improvement, such as confirmation of funding from other sources and full adherence to program terms and conditions. Meeting

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The report also identified areas for improvement, such as confirmation of funding from other sources and full adherence to program terms and conditions. Meeting

terms and conditions is a priority. Even though the report shows a 98 per cent compliance rate in this area, the department has taken action to ensure full adherence. Each of the errors detected by the review has been returned to the appropriate office and corrected. In addition, directives have been issued to all offices to ensure that these administrative issues are reviewed and addressed if necessary in all files across Canada.

The complete Performance Tracking Directorate report forms Appendix 1 of this report.

Conducting an independent assessment of HRDC s work on implementing the Six-Point Action Plan

In January 2000 the Auditor General endorsed the Six-Point Action as a thorough plan for corrective action. As part of that plan, the department committed to undertaking an independent assessment to determine whether implementation was on track. PricewaterhouseCoopers was engaged to carry out that assessment, and was asked to report in June 2000 and again in January 2001.

In their report on June 23, 2000, the consultants stated that "The Department has been successful in quickly implementing a management structure and mobilizing a Grants and Contributions project team to effectively execute the 6 Point Plan. Substantial senior level management involvement has been devoted to ensure progress in achieving the various activities that support the commitments under each of the 6 points of the plan."

The consultants found that fully 36 of 38 specific commitments in the Action Plan were completed or on schedule. This included activities such as the review of closed files, the release of additional policy and guidance and continued reporting of progress to the public and HRDC staff. They noted that HRDC had adjusted deadlines in two areas relating to new computer systems and training materials. In both cases, these were minor adjustments that will not affect the timely implementation of the Action Plan.

The status of each element of the Six-Point Action Plan is included in the report of PricewaterhouseCoopers in Appendix 2.

Introducing quality assurance for grants and contributions

The Action Plan committed the department to implement a renewed management framework for grants and contributions. This is, in effect, a quality assurance initiative to sustain high levels of quality in administration over time.

In May, HRDC decided to introduce processes that detect and correct deficiencies in program delivery at the earliest possible time. It helps HRDC to continually maintain the right balance between responsive service to project sponsors, communities and clients and adherence to the rules set out in policy and regulations. It is designed to strengthen accountability for proper use of taxpayer funds. This initiative is now being implemented and all elements will be in place by the end of the calendar year.

The new quality assurance initiative includes:

- ✓ A requirement for all project files to be monitored at least once while the projects are underway, with more complex and higher risk cases monitored more extensively and more frequently
- ✓ The addition of senior operations consultants in local HRDC offices to ensure that delivery staff have access to more financial expertise
- ✓ Review by those senior operations consultants of selected project files to ensure quality
- ✓ Review by regional offices and national headquarters of a selected sample of grants and contributions payments to ensure continued compliance with the *Financial Administration Act*
- ✓ Nationally standardized job descriptions for staff who deliver grants and contributions
- ✓ Stronger and consistent knowledge and skill requirements to guide the recruitment and training of staff who deliver grants and contributions; these include appropriate knowledge of accounting and business practices, HRDC grant and contribution programs and skills in negotiating and monitoring

Strengthening accountability structures and management processes

Building on the Action Plan commitment to improve management structures and administrative processes relating to grants and contributions, HRDC is introducing a range of strategic initiatives to modernize management practices across the entire department.

Consistent with this strategic direction, Minister Stewart announced in June that the Government of Canada was closing down the Canada Jobs Fund and

redirecting associated funding to its regional economic development agencies. The Minister pointed out that this action would support a clearer HRDC focus on its core social policy mandate and would assist in strengthening grants and contributions administration.

The department also restructured the Human Resources Investment Branch into two new branches, one responsible for regionally delivered programs and the other responsible for those that are nationally delivered. This action ensures that decision-making structures are tailored to the types of programs being delivered.

HRDC has also been examining ways to improve accountability structures and management processes to ensure an appropriate balance between service delivery and accountability. In July, the department began implementing several initiatives to ensure greater oversight and more focused management of policy, program development, service delivery and corporate services. Implementation will be completed by the end of the calendar year.

Key actions to strengthen accountability structures and management processes:

- ✓ Develop and implement national agreements that clarify the authority, responsibility and accountability of HRDC heads of policy, program, corporate services and regions
- ✓ Revise the mandate and composition of corporate committees to assist senior management to identify and resolve issues across programs and regions; this includes a strengthened Executive Management Committee and four key departmental committees focusing on human resources planning, policy and program development, service delivery, and audit and evaluation
- ✓ Establish a new Corporate Affairs and Planning Branch to support integrated planning and ensure stronger issues management.

In May 2000, HRDC initiated a comprehensive program management study extending across the department. This study aims to ensure that the objectives of all grants and contribution programs are clearly defined and that performance measures are in place to demonstrate that these objectives are met. This review will be completed by March 31, 2001.

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Next Monitoring Report

HRDC will continue to implement its Action Plan commitments and related departmental initiatives to strengthen the administration of grants and contributions. The Department will report on progress and successes in the next monitoring report, which will be released in late fall.

Appendix 1

First Quarterly Progress Report of the Performance Tracking Directorate

Human Resources Development Canada | Développement des ressources humaines Canada

The National Grants and Contributions

Performance Tracking Directorate

First Quarterly

Progress Report

Financial and Administrative Services

August 23, 2000

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1 INTRODUCTION

The National Grants and Contributions Performance Tracking Directorate (PTD) of Human Resources Development Canada (HRDC), was established in support of the Six-Point Action Plan for Strengthening the Administration of Grants and Contributions. The Directorate provides a quality control mechanism and a focal point for HRDC to measure its improvement in the administration of grant and contribution programs. The Directorate reports to the Financial and Administrative Services Branch of HRDC.

The Directorate's mandate is to:

- Provide assurance that grant and contribution funds are being managed and expended in accordance with program terms and conditions;
- Highlight key areas of risk and provide guidance on approaches to mitigate those risks;
- Contribute to knowledge transfer throughout the department; and
- Coordinate activities with other monitoring and post-audit functions carried out within HRDC and by external agencies to ensure adequate coverage, without duplication of effort.

This and subsequent Performance Tracking Directorate reviews will provide the Department with an ongoing and detailed assessment of its compliance with required and expected administrative standards for Grant and Contribution files. Over time the reviews will provide a complete indication of whether the department has met and maintained the standards it has set for itself through the Action Plan as projects mature through key elements of their lifecycle. This cycle begins with the receipt of applications and continues until files are closed.

The Tracking Directorate is reviewing projects that commenced as of February 2000; that is, since HRDC clarified its requirements in regards to file management. As such, the first report is able to provide a confident assessment relating to applications, contracting and recommendations and approval. As these projects proceed the Tracking Directorate s subsequent reports will be able to provide a more complete assessment of the whole project life cycle including payments, monitoring, and follow up and evaluation activities.

2 OBJECTIVES

The principal objective of this report is to assess the extent to which HRDC has strengthened its administration of grants and contributions. The 1999 audit results by HRDC s Internal Audit Bureau (IAB) serve as the baseline for measuring this progress.

3 SCOPE AND METHODOLOGY

The Performance Tracking Directorate's assessment process is based on reviewing a statistically valid sample of files drawn from among all projects in all grants and contributions programs that include Labour Market, Learning and Literacy, Social Development, Aboriginal Relations, Youth Employment, Human Resources Partnerships and Labour Program (with the exception of provincially managed programs, individual income support payments and Summer Career Placement).

The PTD conducted the assessment covered by this report between May and July 2000. The population frame consisted of all files from all HRDC grant and contribution programs with an agreement start date between February 1, 2000 and March 31, 2000. This covered 1,534 files. PTD drew a selected random sample of 142 files from that population (26 grants and 116 contribution agreements). As well, the Directorate reviewed financial records and supporting documentation from 16 sponsors.

The file review was performed using a detailed assessment questionnaire. The questionnaire covered all aspects of the business process related to project life cycle (i.e., application, assessment, recommendation and approval, contracting, payments, monitoring, follow-up and evaluation as well as compliance with terms and conditions). Guidelines were developed to provide assistance to reviewers in completing their file assessments.

The Report provides file review results related to 57 compliance-related questions. The methodology and sampling techniques have been designed to allow for extrapolation of these results over time to the grant and contribution population as a whole.

In order to extrapolate results for each question with a 90 - 95% confidence level, there must be a certain number of files to which the question applies. In 36 of the compliance areas reported, the compliance rate results can be extrapolated to the full population with this degree of confidence. In 21 cases the compliance rate results are presented for information purposes. These cannot be extrapolated to the population as a whole, due to insufficient numbers of responses applicable to these questions at this time. These situations occur when the compliance requirements addressed by a question are not applicable (N/A) to a specific program / file or the file reviewed is not yet at that stage in the project life cycle. As the results of subsequent reviews are reported, the extrapolation of these compliance rates will be possible.

An independent group was established within the PTD to conduct a quality control process of the file review results. This group was comprised of professional resources provided under agreement with Consulting and Audit Canada. The PTD developed a draft summary of results outlining the Directorate s general conclusions, specific file observations and recommendations and sent that summary to offices for validation and management response. The Management responses and follow-up action plans were then incorporated into the final summary of results.

4 GENERAL CONCLUSIONS

The Performance Tracking Directorate concludes that there has been a significant, measurable improvement in the overall program management and administration of grants and contributions since the 1999 IAB Audit.

During the course of this review, the Performance Tracking Directorate observed:

- Improved management and administration of grant and contribution programs.
- A high level of compliance with the directives and guidelines that HRDC issued between January 20 and April 30, 2000.
- Supporting financial documentation from sponsors was available to substantiate claims made to HRDC.

- A few areas for improvement related to the adequacy of file documentation, with follow-up action initiated.
- The risks reported in the 1999 audit have been mitigated to a great extent as a result of the Department s implementation of its Six-Point Action Plan.

Some significant improvements are highlighted below:

- APPLICATION: 100% of files had an application, up from 85.2% in the 1999 audit results.
- ASSESSMENT: 95.7% of files had evidence of a check for outstanding debt to HRDC by project sponsors, up from 2.6% in the 1999 audit results.
- RECOMMENDATION AND APPROVAL: 96.5% of files included a rationale for funding, up from 38% in the 1999 audit results.
- CONTRACTING: In 96.5% of files, the nature of authorized expenses was clear, up from 83.7% in the 1999 audit results.
- PAYMENTS: 99.2% of claim forms were signed consistent with correct delegation of authority, up from 70.9% in the 1999 audit results.
- MONITORING: 95.1% of projects had been monitored for achievement of expected results, up from 23.4% in the 1999 audit results.

Areas where there is still room for improvement, include:

- MONITORING: In 41.7% of the files reviewed (five of 12 files), contributions from other partners were verified through financial monitoring, but on seven financial monitors this requirement was not completed.
- ASSESSMENT: In 82.8% of the files reviewed (24 of 29 files) that required funding from other sources, this funding was confirmed during assessment, but this requirement was not met in five cases.
- TERMS AND CONDITIONS: In 97.9% of the files reviewed (138 of 142 files), activities complied with program terms & conditions, but three cases did not comply fully. The remaining project was cancelled before starting.

The results of the review are set out in Annex A — Summary of Results — National Analysis by Business Process. The summary analysis provides all the results in one table and outlines the first Progress Report results found by the Performance Tracking Directorate, comparing them with the 1999 Internal Audit Bureau (IAB) results. More detailed results for each business process are explained in the Annex B — Detailed Results — National Analysis by Business Process.

5 NEXT STEPS

In accordance with its mandate to provide quarterly reports summarizing the outcomes of ongoing file reviews, the Performance Tracking Directorate will release its next progress report in the Fall of 2000. The expected size of the file sample should enable the Directorate to provide results that are statistically significant at both the national and the program level.

This process of tracking the administration of HRDC is grants and contributions programs, and making the results public, supports the Departmental commitment to improvement, openness, and transparency.

ANNEX A - SUMMARY OF RESULTS

NATIONAL ANALYSIS BY BUSINESS PROCESS

Questions / Criteria Assessed	Answers				1st Quarterly Report Results 142 sample	1999 IAB Audit Results 459 sample
	Yes	No	N/A	Total	Compliance Rate	Compliance Rate
APPLICATION						
Proposal had the necessary attributes:						
Application for funding from sponsor on file	138	0	4	142	100.0%	85.2%
Application was signed by representative of submitting organization	135	3	4	142	97.8%	Not Available
Includes objectives and activities	137	1	4	142	99.3%	75.0%
Includes a cost estimate	136	2	4	142	98.6%	89.0%
Includes explanation of results to be achieved	129	9	4	142	93.5%	89.0%
ASSESSMENT						
Assessment of project had the necessary attributes:						
The written assessment demonstrates that project supports program objectives	130	8	4	142	94.2%	31.8%
Sponsor was checked for outstanding debt to HRDC	132	6	4	142	95.7%	2.6%
There is formal confirmation of essential funding from other sources	24	5	113	142	82.8% **	Not Available
MP concurrence on file, if mandatory	24	1	117	142	96.0% **	57.1%
All other mandatory consultation and concurrence on file	19	0	123	142	100.0% **	Not Available
Environmental Assessment addressed adequately in file	133	2	7	142	98.5%	29.6%
RECOMMENDATION AND APPROVAL						
Approval had the necessary attributes:						
Rationale/Analysis for funding the project is on file	136	5	1	142	96.5%	38.0%
Approval signed with correct delegation of authority	138	3	1	142	97.9%	79.2%
CONTRACTING						
Agreement had the necessary attributes:						
Agreement is on file	113	0	29	142	100.0%	96.4%
Agreement outcomes are described clearly	112	1	29	142	99.1%	Not Available
Services and/or activities are described clearly	113	0	29	142	100.0%	Not Available
Nature of authorized expenses is clear	109	4	29	142	96.5%	83.7%

Questions / Criteria Assessed	Answers				1st Quarterly Report Results 142 sample	1999 IAB Audit Results 459 sample
	Yes	No	N/A	Total	Compliance Rate	Compliance Rate
Agreement reflects all approval conditions	39	0	103	142	100.0% **	Not Available
The schedule and basis of payment are clear in the Agreement	94	14	34	142	87.0%	Not Available
Agreement includes appropriate provisions for termination with or without cause	111	2	29	142	98.2%	Not Available
Agreement contains a clause that HRDC may do an audit of costs claimed	113	0	29	142	100.0%	95.7%
Agreement states the requirement for the recipient to repay overpayments, unexpended balances and disallowed expenses	113	0	29	142	100.0%	Not Available
Text of the agreement matches the program utilized	112	1	29	142	99.1%	91.9%
Agreement includes statement regarding disposition of project revenue	14	2	126	142	87.5% **	Not Available
Cashflow Forecast on file, if necessary, appropriate to contracted activities, signed by sponsor and in agreement with HRDC contracted total	84	0	58	142	100.0% *	Not Available
Agreement signed on or after project approval date	112	0	30	142	100.0%	Not Available
Commitment completed prior to HRDC signing Agreement	84	19	39	142	81.6%	Not Available
Correct delegation of authority of HRDC signer	113	0	29	142	100.0%	86.6%
Amendments have the necessary attributes:						
Reason for amendment is clear	21	0	121	142	100.0% **	61.9%
Approval signed with correct delegation of authority	16	0	126	142	100.0% **	Not Available
In the case of financial amendments, commitment certification was completed prior to HRDC signing amendment	8	1	133	142	88.9% **	Not Available
Cashflow Forecast amended for financial amendments, where required	8	1	133	142	88.9% **	Not Available
Amendments signed with correct delegation of authority	19	1	122	142	95.0% **	Not Available
PAYMENTS						
Payments have the necessary attributes:						
All required claim forms are on file	82	1	59	142	98.8% *	Not Available
Claims are accompanied by activity report and supporting financial documentation, if required by Agreement	65	9	68	142	87.8% *	Not Available
Claim periods do not overlap	59	0	83	142	100.0% **	Not Available
Claims match the expense categories allowed in the Agreement	80	0	62	142	100.0% *	Not Available
Claim amounts for April support the advance amount issued from the previous fiscal year	13	0	129	142	100.0% **	Not Available
Math is correct on all claim forms	81	0	61	142	100.0% *	92.6%
Claim forms are correctly signed by sponsor	79	3	60	142	96.3% *	Not Available
If advance issued, sponsor was eligible for advance	44	1	97	142	97.8% **	Not Available
Advance amounts are within Treasury Board limits	42	3	97	142	93.3% **	71.3%

Questions / Criteria Assessed	Answers				1st Quarterly Report Results 142 sample	1999 IAB Audit Results 459 sample
	Yes	No	N/A	Total	Compliance Rate	Compliance Rate
Only April forecasted expenditures are paid out of previous year funds	25	0	117	142	100.0% **	Not Available
Correct delegation of authority according to Section 34	118	1	23	142	99.2%	70.9%
At least two people have initialed/signed/input/approved payment requisition	119	0	23	142	100.0%	Not Available
As per 5 point ADM directive (Jan 20,2000), file was certified for compliance before further payments were issued	115	1	26	142	99.1%	Not Available
MONITORING						
Monitors are well documented:						
Monitoring visits properly documented on file	67	6	69	142	91.8% *	44.0%
Project was monitored for achievement of expected results as described in Agreement	58	3	81	142	95.1% *	23.4%
Financial visits deemed to be thorough and accurate	27	3	112	142	90.0% **	19.9%
Contributions from other partners were verified on financial visit	5	7	130	142	41.7% **	Not Available
FOLLOW UP & EVALUATION						
Project close out issues are well documented:						
Procedures for disposal of assets are clear	13	0	129	142	100.0% **	Not Available
Assets were disposed of as agreed in file	4	0	138	142	100.0% **	Not Available
The full contribution was not paid prior to receipt of the final claim form	19	0	123	142	100.0% **	Not Available
Overpayment has been recorded as a receivable and recovery procedures initiated	0	0	142	142	0.0% **	Not Available
COMPLIANCE WITH TERMS AND CONDITIONS						
Program terms and conditions						
Project meets program terms and conditions	138	3	1	142	97.9%	Not Available
As per February 11th Senior ADM directive, a project life cycle file review checklist is completed and on file	137	1	4	142	99.3%	Not Available
Was there improper use of contribution funds because the project is supplying goods or services to HRDC	4	112	26	142	96.6%	Not Available

Unless otherwise noted, the confidence level for the compliance rate is 95%.

* ***Refers to a 90% confidence level for the compliance rate.***

** ***Unable to determine confidence level due to low numbers reviewed.***

ANNEX B - DETAILED RESULTS

NATIONAL ANALYSIS BY BUSINESS PROCESS

B 1 - APPLICATION

In the application phase, applicants are required to submit a detailed proposal and/or a standard application form to HRDC that describes the project they want to undertake.
A complete application or proposal should contain a description of objectives to be achieved, the activities, cost estimates, and an explanation of expected results.

For the purpose of this review, an acceptable application could have been in the form of an official application form, a proposal, a letter or other documents.

The following table summarizes the results of the review of administration relating to the application phase:

QUESTION/CRITERIA ASSESSED	ANSWERS				1st Quarterly Report RESULTS 142 SAMPLE	1999 IAB AUDIT RESULTS 459 SAMPLE
APPLICATION	YES	NO	N/A	TOTAL		
Application for funding from sponsor on file	138	0	4	142	100.0%	85.2%
Application was signed by representative of submitting organization	135	3	4	142	97.8%	Not available
Includes objectives and activities	137	1	4	142	99.3%	75.0%
Includes a cost estimate	136	2	4	142	98.6%	89.0%
Includes explanation of results to be achieved	129	9	4	142	93.5%	89.0%

Application from sponsor on file:

- In three cases, no applications were required under the program terms and conditions for Regional Bilateral Agreements, and the Aboriginal Human Resources Development Strategy, which are the principal instruments for funding Aboriginal communities. Also, one application was withdrawn.
- All remaining 138 files reviewed contained an application from the sponsor. This represents an improvement to 100% from 85.2% in the IAB 1999 audit results.

Application signed by representative of submitting organization:

- 135 of the 138 applications were signed by a representative of the submitting organization.
- In the case of the three remaining files, the Human Resource Centres of Canada (HRCCs) involved, agreed to take measures to ensure that all applications would be signed in the future.

Includes objectives and activities:

- 137 of the 138 applications had a description of the objectives and activities. This represents an improvement to 99.3% from 75.0% in the IAB 1999 audit results.
- The HRCC responsible for the file without a description of objectives and activities has implemented corrective measures.

Includes a cost estimate:

- 136 of the 138 applications included a cost estimate with the application. This represents an improvement to 98.6% from 89.0% in the IAB 1999 audit results.
- In two cases, the sponsors did not provide detailed cost estimates at the application phase. The HRCCs involved have implemented corrective measures.

Includes an explanation of results to be achieved:

- 129 of 138 applications included an explanation of results to be achieved. This represents an improvement to 93.5% from 89.0% in the IAB 1999 audit results.
- In the remaining nine cases, applications did not contain a description of results. This information was later obtained by the HRCCs and included in the Agreements.
- In all cases, the HRCCs have concurred with the observations and have taken measures to ensure that all future applications include results.

B 2 - ASSESSMENT

The Assessment phase involves a careful, thorough review of applications/proposals to ensure that they support program objectives and meet local, regional, and national priorities. This phase is important to ensure that the proposal meets HRDC criteria, and is realistic and feasible. It allows the Project Officer to anticipate potential problems in a project and rectify them before the project starts.

Our review consisted of assessing whether or not the files reviewed contained evidence that the project officers considered program criteria in their assessment; and that sponsors were checked for outstanding debt to HRDC in the Departmental Accounts Receivable System (DARS) prior to project approval; that there was formal confirmation of essential funding from other sources; that the proposal had all required concurrence; and that environmental assessment was addressed adequately on file.

The following table summarizes the results of the review of Assessment:

QUESTION/CRITERIA ASSESSED	ANSWERS				1st Quarterly Report RESULTS 142 SAMPLE	1999 IAB AUDIT RESULTS 459 SAMPLE
ASSESSMENT	YES	NO	N/A	TOTAL		
The written assessment demonstrates that project supports program objectives	130	8	4	142	94.2%	31.8%
Sponsor was checked for outstanding debt to HRDC	132	6	4	142	95.7%	2.6%
There is formal confirmation of essential funding from other sources	24	5	113	142	82.8%	Not available
MP Concurrence on file, if mandatory.	24	1	117	142	96.0%	57.1%
All other mandatory consultation and concurrence on file	19	0	123	142	100.0%	Not available
Environmental Assessment addressed adequately in file.	133	2	7	142	98.5%	29.6%

The written assessment demonstrates that the project supports program objectives:

- In 130 of 138 cases, the written assessment demonstrated that the project supported program objectives. This represents an improvement to 94.2% from 31.8% in the IAB 1999 audit results.
- Three of the eight files that did not meet the standard lacked a written assessment. In one of these cases the HRCC identified this issue for follow-up during their file review.
- The other five files contained incomplete assessment information that did not clearly demonstrate that the project supported program objectives, and follow-up action will need to be taken.
- In all cases, HRCCs have concurred with the observations and have taken appropriate corrective action.

Sponsor was checked for outstanding debt to HRDC:

- In 132 of the 138 cases, the sponsors were checked for outstanding debt to HRDC. This represents an improvement to 95.7% from 2.6% in the IAB 1999 audit results.
- In the remaining six cases, the files did not contain evidence that a DARS check had actually taken place. This should have been done prior to agreement preparation and signature. It has been confirmed however, that none of these six cases had an overpayment from a previous contribution agreement.
- In one case, the HRCC had already identified the requirement to take action. In the other five cases, offices have concurred with the observation and recommendation, and have initiated corrective action in relation to the assessment of future proposals.

There is formal confirmation of essential funding from other sources:

- In 24 of the 29 proposals requiring additional funding, there was a formal confirmation of essential funding from other sources.
- In the remaining five cases, the files did not contain evidence that essential funding from other sources was confirmed. In five cases, HRCCs have concurred with the observations and implemented corrective measures to ensure that essential funding is confirmed in the future.

MP concurrence on file, if required:

- In 24 of the 25 files which required MP concurrence, this concurrence was evident. This represents an improvement to 96.0% from 57.1% in the IAB 1999 audit results.
- In the one case where MP concurrence was not obtained, the RHQ had identified this issue during the active file review process and the HRCC took corrective action.

All other mandatory consultation and concurrence on file:

- In all 19 files requiring other mandatory consultation and concurrence, this consultation had occurred and concurrence was on file where required. All CJF and TJC-FRA files had mandatory provincial concurrence documented on file. Union concurrence was present on all applicable JCP files.

Environmental Assessment addressed adequately in file:

- In 133 of 135 files, environmental assessment was adequately addressed. This represents an improvement to 98.5% from 29.6% in the IAB 1999 audit results.
- The other two files did not have an environmental assessment pre-screening as required and both HRCCs have implemented corrective measures.

B 3 - RECOMMENDATION AND APPROVAL

After assessment a proposal may be recommended for funding. The person who has assessed the proposal must make this recommendation, clearly stating the rationale for the funding. The funding approval must be signed by a person with the appropriate level of approval authority.

The following table summarizes the results of the review of the Recommendation and Approval phase:

QUESTION/CRITERIA ASSESSED	ANSWERS				1st Quarterly Report RESULTS 142 SAMPLE	1999 IAB AUDIT RESULTS 459 SAMPLE
RECOMMENDATION & APPROVAL	**YES**	**NO**	**N/A**	**TOTAL**		
Rationale / Analysis for funding the project is on file	136	5	1	142	96.5%	38.0%
Approval signed with correct delegation of authority	138	3	1	142	97.9%	79.2%

Rationale/Analysis for funding the project is on file:

- In one case, the project was cancelled and did not require a rationale/analysis on file.
- 136 of the remaining 141 files included a rationale/analysis for funding the project. This represents an improvement to 96.5% from 38.0% in the IAB 1999 audit results.
- The remaining five files did not contain a rationale/analysis for funding the project. HRCCs have implemented corrective measures.

Approval signed with correct delegation of authority:

- 138 of the 141 files had the required signature and approval with correct delegation of authority on file. This represents an improvement to 97.9% from 79.2% in the IAB 1999 audit results.
- In the remaining three cases, project officers approved projects without the required delegated authority. The HRCCs involved have taken corrective measures.

B 4 - CONTRACTING

The Contracting phase involves the preparation and signing of an Agreement between HRDC and a sponsor. The Agreement clarifies the roles, responsibilities, and the expectations of both parties. It also sets out measurable objectives and establishes the basis on which the officer will monitor and evaluate the project. The officer can only monitor and evaluate what is set out in the contract. Therefore, it is essential that all Agreements be complete and contain all required terms and conditions.

The following table summarizes the results of the Performance Tracking review of the Contracting phase.

QUESTION/CRITERIA ASSESSED	ANSWERS				1st Quarterly Report RESULTS 142 SAMPLE	1999 IAB AUDIT RESULTS 459 SAMPLE
CONTRACTING	YES	NO	N/A	TOTAL		
Agreement is on file	113	0	29	142	100.0%	96.4%
Agreement outcomes are described clearly	112	1	29	142	99.1%	Not available
Services and/or activities are described clearly	113	0	29	142	100.0%	Not available
Nature of authorized expenses is clear	109	4	29	142	96.5	83.7%
Agreement reflects all approval conditions	39	0	103	142	100%	Not available
The schedule and basis of payment are clear in the Agreement	94	14	34	142	87.0%	Not available
Agreement includes appropriate provisions for termination with and without cause	111	2	29	142	98.2%	Not available
Agreement contains a clause that HRDC may do an audit of costs claimed	113	0	29	142	100.0%	95.7%
Agreement states the requirement for the recipient to repay overpayments, unexpected balances, and disallowed expenses	113	0	29	142	100.0%	Not available
Text of the agreement matches the program utilized	112	1	29	142	99.1%	91.9%
Agreement includes statement regarding disposition of project revenue	14	2	126	142	87.5%	Not available
Cashflow Forecast on file, if necessary, appropriate to contracted activities, signed by sponsor and in agreement with HRDC contracted total	84	0	58	142	100.0%	Not Available
Agreement signed on or after project approval date	112	0	30	142	100.0%	Not available
Commitment completed prior to HRDC signing Agreement	84	19	39	142	81.6%	Not available
Correct delegation of authority of HRDC signer	113	0	29	142	100.0%	86.6%
Reason for amendment is clear	21	0	121	142	100.0%	61.9%
Amendments approval signed with correct delegation of authority	16	0	126	142	100.0%	Not available

QUESTION/CRITERIA ASSESSED	ANSWERS				1st Quarterly Report RESULTS 142 SAMPLE	1999 IAB AUDIT RESULTS 459 SAMPLE
CONTRACTING	YES	NO	N/A	TOTAL		
In the case of financial amendments, a commitment certification was completed prior to HRDC signing amendment	8	1	133	142	88.9%	Not available
Cashflow Forecast amended for financial amendments, where required	8	1	133	142	88.9%	Not available
Amendments signed with correct Delegation of authority	19	1	122	142	95.0%	Not available

Agreement is on file:

- 26 of the files reviewed were for grant programs and did not require an Agreement. In three other situations, the projects were cancelled prior to the Agreement preparation phase.
- All of the remaining 113 files contained a copy of the signed Agreement. This represents an improvement to 100% from 96.4% in the IAB 1999 audit results.

Agreement outcomes are described clearly:

- In 112 of 113 Agreements, outcomes were described clearly.
- The other one Agreement did not describe outcomes clearly and follow-up action will need to be taken.

Services and/or activities are described clearly:

- All 113 Agreements clearly described services and activities.

Nature of authorized expenses is clear:

- In 109 of 113 Agreements the nature of authorized expenses was clear.
  This represents an improvement to 96.5% from 83.7% in the IAB 1999 audit results.
- The remaining four Agreements did not clearly outline the nature of authorized expenses.
- In two cases, an all-inclusive fee for service was established and no detailed cost breakdown was provided in the Agreements. In one case the total cost amount identified on Schedule A of the Agreement did not match the eligible cost amount identified in Schedule B of the Agreement. And in the other one, the figures of the total contract value indicated on Schedule A, page 1, differed from the contract value on page 2.
- Follow up action was taken on the two specific cases.

The Agreement reflects all approval conditions:

- In all 39 Agreements for which specific conditions had been identified at the approval stage, these conditions were reflected in the Terms of the Agreement.

The schedule and basis of payment are clear in the Agreement:

- In 94 of 113 Agreements, the schedule and basis of payment are clearly outlined.
- In 14 cases Section 4 of the Articles of Agreement, (describing payment terms and conditions) was improperly completed.
  Also, unnecessary payment clauses were not deleted from Agreements, as required. In these situations, the Agreement did not clarify the schedule and basis of payment.
- The remaining five cases are Job Creation Partnership projects not involving payments to the sponsor.

Agreement includes appropriate provisions for termination with and without cause:

- 111 of 113 files reviewed included appropriate provisions for termination with and without cause.
- In the remaining two files, the clause related to termination without cause was not properly completed, as the termination notice time was not entered.

Agreement contains a clause that HRDC may do an audit of costs claimed:

- In all 113 Agreements reviewed, there was a clause allowing for HRDC to audit costs claimed.

Agreement states the requirement for the recipient to repay overpayments, unexpended balances and disallowed expenses:

- In all 113 files which contained Agreements, the Agreement included a clause stating the requirement for the recipient to repay overpayments, unexpended balances and disallowed expenses

Text of the agreement matches the program utilized:

- In 112 of 113 Agreements, the text of the Agreement matched the program utilized. This represents an improvement to 99.1% from 91.9% in the IAB 1999 audit results.
- In one case, the project officer used the wrong Articles of Agreement for a Targeted Wage Subsidy file. The HRCC agreed to use the TWS standard Agreement in the future.

Agreement includes statement regarding disposition of project revenue:

- In 14 of 16 cases in which the project generated revenue, the Agreement included an appropriate statement regarding revenue disposition.
- In the remaining two cases, the Agreement did not contain a clause regarding the disposition of project revenue as required. Follow-up action will need to be taken.

Cashflow Forecast on file, if necessary, appropriate to contracted activities, signed by sponsor and in agreement with HRDC contracted total:

- Only 84 of the files reviewed required a cashflow forecast to be on file. In all 84 files the required cashflow was present.

Agreement signed on or after project approval date:

- In the 112 files which contained an Agreement, the Agreement was signed on or after the project approval date.
- In one file, there was no approval date on file.

Commitment completed prior to HRDC signing Agreement:

- This observation is not applicable to 10 of the 113 Agreements reviewed. Seven of these were Job Creation Partnership projects not involving a financial commitment, and three were Aboriginal Human Resources Development Agreement files.
- 84 of the remaining 103 files had a financial commitment prior to HRDC signing Agreement.
- In the remaining 19 files, the financial commitment was completed after the Agreement signature date. Two of these cases can be explained by technical difficulties encountered during the transition to the new Corporate Management System for contracts.
- In all cases, HRCCs have concurred with this observation and have implemented corrective action.

Correct delegation of authority of HRDC signer:

- In all 113 Agreements, the HRDC signing officer had the delegated authority required. This represents an improvement to 100% from 86.6% in the IAB 1999 audit results.

Reason for amendment is clear:

- All 21 amendments to Agreements contained an adequate rationale to justify the amendment. This represents an improvement to 100% from 61.9% in the IAB 1999 audit results.

Amendment approval signed with correct delegation of authority:

- All 16 amendments requiring approval were approved with the correct delegation of authority.

In the case of financial amendments, commitment certification was completed prior to HRDC signing amendment:

- 8 out of the 9 amendments which required a commitment certification in advance of the HRDC agreement were compliant in this area.
- The commitment certification for the remaining financial amendment was completed approximately two weeks after amendment signature date.
- The responsible HRCC has implemented corrective measures.

Cashflow forecast amended for financial amendments, where required:

- 8 out of the 9 amendments, which required a cashflow forecast adjustment, were compliant in this area.
- In the case of one file, the cashflow forecast was not adjusted.
- The responsible HRCC has taken corrective action.

Amendments signed with correct delegation of authority:

- 19 out of 20 amendments were signed with the correct delegation of authority.
- One file did not comply.
- The responsible HRCC has initiated corrective action.

B 5 - PAYMENTS

A contribution payment can be in the form of a progress payment or an advance. A progress payment consists of reimbursing allowable expenses incurred by the sponsor and claimed for a period ranging from 30 days to 90 days.

Advances consist of payments for anticipated expenses for a specific period, usually monthly or quarterly. Sponsors submit payment claims at the end of each period to account for the advances received. The Terms and Conditions of each agreement specify any requirements for the sponsor to submit an activity report for the same period.
It is the responsibility of sponsors to keep adequate financial documentation in support of their expenses.

The following table summarizes the results of the review of Payments.

QUESTION/CRITERIA ASSESSED	ANSWERS				1st Quarterly Report RESULTS 142 SAMPLE	1999 IAB AUDIT RESULTS 459 SAMPLE
PAYMENTS	**YES**	**NO**	**N/A**	**TOTAL**		
All required claim forms are on file	82	1	59	142	98.8%	Not available
Claims are accompanied by activity report and supporting financial documentation, if required by Agreement	65	9	68	142	87.8%	Not available
Claims do not overlap	59	0	83	42	100.0%	Not available
Claims match the expense categories allowed in the Agreement	80	0	62	142	100.0%	Not available
Claim amounts for April support the advance amount issued from the previous fiscal year	13	0	129	142	100.0%	Not available
Math is correct on all claim forms	81	0	61	142	100.0%	92.6%
Claim forms are correctly signed by sponsor	79	3	60	142	96.3%	Not available
If advance issued, sponsor was eligible for advance	44	1	97	142	97.8%	Not available
Advance amounts are within Treasury Board limits	42	3	97	142	93.3%	71.3%
Only April forecasted expenditures are paid out of previous year funds	25	0	117	142	100.0%	Not available
Correct delegation of authority according to Section 34	118	1	23	142	99.2%	70.9%
At least two people have initialed / signed / input / approved payment requisition	119	0	23	142	100.0%	Not available
As per 5 point ADM directive (Jan 20, 2000), file was certified for compliance before further payments were issued	115	1	26	142	99.1%	Not available

All required claim forms are on file:

- In 59 of the files reviewed there was no requirement for a claim to be on file. Claims were not due yet for 29 of these files, 26 were grants and 4 had been cancelled.
- 82 of the remaining 83 files contained the required claim forms from the sponsors.
- In 1 case the file did not contain the required claim form from the sponsors. The claim was due, but had not yet been submitted to the HRCC by the sponsor. In this case the HRCC had identified the problem and requested the claim from the sponsor prior to the Performance Tracking review of the file.

Claims are accompanied by activity report and supporting financial documentation, if required by Agreement:

- 65 of the 74 files, which required supporting documentation, contained the required documentation.
- In the remaining 9 files, claims did not contain the activity report as required by the Agreement.
- All HRCCs have implemented corrective action.

Claim periods do not overlap:

- In all 59 files containing multiple claims, the periods claimed did not overlap.

Claims match the expense categories allowed in the agreement:

- In all 80 cases of claims for Agreements involving different expense categories, expenses claimed matched the expense categories allowed in the Agreement.

Claim amounts for April support the advance amount from the previous fiscal year:

- In all 13 files, which included April claims, the amount claimed supported the advance amount issued from the previous fiscal year.

Math is correct on claim forms:

- In all 81 claims involving expenses, the math calculation on claim forms was correct. This represents an improvement to 100% from 92.6% in the IAB 1999 audit results.
- Of the 82 claims received, one claim did not involve expenses. This claim was from a Job Creation Partnerships project. The claim on file at the time of the review was a nil claim because only EI Part II participant costs had been incurred to that point in time.

Claim forms are correctly signed by sponsors:

- In 79 of 82 files reviewed, the claim forms were correctly signed by sponsors.
- In the remaining 3 cases, claim forms were not signed by sponsors.
- Follow-up action initiated accordingly.

If advance issued, sponsor was eligible for an advance:

- In 44 of 45 files in which advances had been issued, the sponsor was eligible for the advances issued.
- In one case, an advance should not have been issued based on file documentation. The advance was given to a sponsor for a one-month project that involved the purchase of a service from a third party. No rationale was documented on file to justify the need for an advance.

Advance amounts are within Treasury Board limits:

- In 42 of 45 files in which advances had been issued, advances were within Treasury Board limits. This represents an improvement to 91.1% from 71.3% in the IAB 1999 audit results.
- In the remaining 3 cases, advances exceeded the maximum established by Treasury Board.
- The responsible HRCCs have taken appropriate action.

Only April forecasted expenditures are paid out of previous year funds:

- In all 25 cases involving 2000-2001 advances, only April forecasted expenditures were paid out of previous year funds.

Correct delegation of authority according to Section 34:

- In all 119 files reviewed that included an advance or payment claim, payments were authorized with the correct delegation of authority under Section 34 of the Financial Administration Act. In one file, however, a claim was not countersigned by the HRCC Director/Manager as required in the February 4, 2000 directive. This represents an improvement to 99.2% from 70.9% in the IAB 1999 audit results.

At least 2 people have initialled, signed, input and approved payment requisitions:

- All 119 files reviewed, which included an advance or payment claim met the requirement for the involvement of at least two people in the payment requisition process.

File was certified for compliance before further payments were issued as per the January 20, 2000 Directive:

- In 115 of 116 cases in which certification was required, there was compliance with the January 20, 2000 ADM Directive.
- In one case, the file did not contain a certification of compliance before further payments were issued, as required in the January 20, 2000 Directive, but a financial monitoring visit to the sponsor was carried out by the Project Officer on March 22, 2000, prior to the first payment made.
- In the remaining 26 files, 23 cases had no claim or advance on file. In one case, the region had lifted the requirement, one case was a Job Creation Partnership that identified overhead costs in the agreement but the claim that was on file at the time of our review only identified participants cost under EI part II funds, and the final case was a Job Creation Partnership project where claims were forwarded as activity reports and no money was involved.

B 6 - MONITORING

Monitoring is the mechanism used by officers to ensure compliance with Agreements. It involves visiting sponsors to ensure they are meeting obligations and conducting activities in accordance with their Agreements. It provides the opportunity to work with the sponsor and participants to resolve problems and to improve activities, if necessary, to achieve the best possible results. It is also important in order to verify that all expenses claimed are allowable under the contractual agreement and are supported by acceptable supporting documentation.

Effective project management and monitoring involves completing a Monitoring Risk Assessment at project start-up.

The following table summarizes the results of the review of the Monitoring phase.

QUESTION/CRITERIA ASSESSED	ANSWERS				1st Quarterly Report RESULTS 142 SAMPLE	1999 IAB AUDIT RESULTS 459 SAMPLE
MONITORING	YES	NO	N/A	TOTAL		
Monitoring reports on file	67	6	69	142	91.8%	44.0%
Project was monitored for achievement of expected results as described in Agreement.	58	3	81	142	95.1%	23.4%
Financial visits deemed to be thorough and accurate	27	3	112	142	90.0%	19.9%
Contributions from other partners were verified on financial visits	5	7	130	142	41.7%	Not available

Monitoring Visit(s) properly documented on file:

- In 6 cases, planned monitoring visits did not take place and no monitoring report was on file. HRCC responses to this observation noted that staff who would have done the visits was focused on the Action Plan commitment to review all active files before April 30, 2000.
- The HRCCs have since taken action in each of the 6 cases. One visit has taken place and the 5 others were re-scheduled to later dates.
- In the remaining 67 files in which monitoring visits were due, scheduled monitoring visits were being completed as planned, and were properly documented.
- In the remaining files in which a monitoring visit was not required, 26 cases were grants, 4 cases were cancelled projects, and 39 cases did not require monitoring because the projects were in their initial stages.

Project was monitored for achievement of expected results as described in agreement:

- In 58 of the files requiring a monitoring visit, the project was adequately monitored for achievement of expected results. In the other three instances, we found that neither the monitoring reports, nor the files, contained documentation to confirm that this type of monitoring actually took place.
- The response received from one of the three HRCCs involved indicates that the scope of future monitoring activities will include the monitoring of expected results.

Financial visits deemed to be thorough and accurate:

- In 27 of the 30 files in which a financial monitoring visit had been conducted, the documentation on file demonstrated adequate financial verification by the Project Officer.
- In one of the three other cases, the HRCC will implement procedures to ensure adequate financial coverage of on-site financial monitoring. The other two instances involved inadequate payroll verification and inadequate documentation of the monitoring visit. Follow-up action will be initiated.
- In the remaining 112 instances, no financial monitoring was required at the time of the file review.

Contributions from other partners were verified on financial visits:

- 12 of the 142 files reviewed involved funding from other partners. Of these, this funding was verified on financial visits in only five files. In the remaining 7 cases, the contribution from other partners was not verified during the financial monitoring visit. This represents a compliance rate of 41.7%. Necessary follow-up action has been initiated accordingly.

B 7 - FOLLOW-UP AND EVALUATION

This phase includes the completion of all actions related to project closeout and follow-up. The documented evaluation assesses the ultimate success or failure of the activity. It helps identify areas where improvements can be made in the future and is a source of information regarding future funding decisions.

This phase builds on monitoring because it continues that work in a broader way. It also feeds into the planning phase, since the information gained through follow-up and evaluation will help HRCCs to build on past success and avoid repeating mistakes.

The following table summarizes the results of the review of the Follow-up and Evaluation phase:

QUESTION/CRITERIA ASSESSED	ANSWERS				1st Quarterly Report RESULTS 142 SAMPLE	1999 IAB AUDIT RESULTS 459 SAMPLE
FOLLOW-UP & EVALUATION	YES	NO	N/A	TOTAL		
Procedures for disposal of assets are clear.	13	0	129	142	100.0%	Not available
Assets were disposed of as agreed in file.	4	0	138	142	100.0%	Not available
The full contribution was not paid prior to receipt of the final claim form.	19	0	123	142	100.0%	Not available
Overpayment has been recorded as a receivable and recovery procedures initiated.	0	0	142	142	0.0%	Not available

Procedures for disposal of assets are clear:

- 13 completed projects required documented procedures for disposal of assets purchased. Our file review revealed that clear procedures for disposal of assets were documented in all 13 cases.

Assets were disposed of as agreed in file:

- In four instances, the assets purchased were disposed of in a manner consistent with the Agreement, upon completion of the project.
- In the remaining instances, the projects are not yet at the point where disposal issues are relevant.

The full contribution was not paid prior to receipt of the final claim form:

- In all 19 of completed projects included in this review, the final claim form was received prior to the full payment of the contribution.

Overpayment has been recorded as a receivable and recovery procedures initiated:

- None of the files reviewed required receivable and recovery procedures to be initiated.

B 8 - COMPLIANCE WITH TERMS AND CONDITIONS

QUESTION/CRITERIA ASSESSED	ANSWERS				1st Quarterly Report RESULTS 142 SAMPLE	1999 IAB AUDIT RESULTS 459 SAMPLE
COMPLIANCE WITH TERMS & CONDITIONS	YES	NO	N/A	TOTAL		
Project meets program terms and conditions	138	3	1	142	97.9%	Not available
As per February 11th Senior ADM directive, a project life cycle file review checklist is completed and on file	137	1	4	142	99.3%	Not available
There was improper use of contribution funds because the project is supplying goods or services to HRDC	4	112	26	142	96.6%	Not available

Project meets program terms and conditions:

- 138 of the 142 files reviewed were compliant with Treasury Board Terms and Conditions. In the three non-compliant cases, the basis of payment was a flat fee rather than reimbursement of actual costs as required. In all three situations a flat per client fee was paid to the sponsor. In two of the three cases, it was also determined that HRDC was purchasing employment assistance services through a Contribution Agreement. Purchase of service is not an appropriate use of contribution funds. In all three cases the responsible HRCCs have taken corrective action to ensure that future Agreements are compliant in these areas.
- The remaining file (NA), was an individual Opportunities Fund wage subsidy project. The project did not start because the client found work elsewhere.

As per the February 11th Senior ADM directive, a project life cycle file review checklist is completed and on file:

- Four of the files reviewed were cancelled and thus not active at the time of the active file review.
- 137 of the remaining 138 files, contained a project life cycle file review checklist.
- In one instance, the life cycle checklist was not completed but has since been completed and put on file.

There was improper use of contribution funds because the project is supplying goods or services to HRDC:

- In 112 of the 116 Contribution Agreements reviewed, the project was clearly not supplying goods or services to HRDC.
- In four cases, it was determined that contribution funds were inappropriately used for supplying services to HRDC.
- The remaining 26 non-applicable files were not contribution files. They were HRDC grants.

Appendix 2

PricewaterhouseCoopers – Assessment of Progress against the Grants and Contributions National Action Plan

PRICEWATERHOUSECOOPERS

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Mr. Hy Braiter
Senior Assistant Deputy Minister, Service Delivery
Human Resources Development Canada
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June 23, 2000

Dear Mr. Braiter,

Independent Assessment of the Implementation of HRDC s Grants and Contribution Action Plan: Part One

In April 2000, PricewaterhouseCoopers was contracted to conduct an independent assessment of the implementation of HRDC's Grants and Contribution Action Plan. This assessment is to be conducted in two phases. Phase One of the assessment was to be completed in June 2000. We are pleased to enclose for your review, our Phase One report.

Consistent with HRDC's May 2000, "Progress Report on the Action Plan for Strengthening Administration of Grants and Contributions", we have found that HRDC has made significant progress in implementing the 6 Point Action Plan. After having conducted extensive interviews and reviewed supporting documentation, we conclude that HRDC has either completed the commitment activities in support of the Action Plan, or the work is ongoing in accordance with the Action Plan schedule. Some delays have been experienced with respect to two sub-elements of the Action Plan and these activities now have new target dates for completion. Full details are provided in the attached, detailed report.

Should you have any questions or comments related to this report, please do not hesitate to contact me at (613) 237-3702. We look forward to conducting Phase II of this assignment and delivering our final report in January 2001.

Yours sincerely,

John S. Moskalik
PricewaterhouseCoopers LLP

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Executive Summary

Introduction:

PricewaterhouseCoopers LLP, as Part I of its two-part assignment, is pleased to provide a preliminary report of its findings with respect to the progress of implementation conducted by Human Resources Development Canada (HRDC) against the Department's Grants and Contributions National Action Plan (the "6 Point Plan"). The purpose of the 6 Point Plan is to strengthen the administration of Grants and Contributions.

Timeframe of Report:

This Part I report, presents the preliminary findings of progress as up to May 15, 2000. The Part II final report will be produced by January 31, 2001.

Elements of the 6 Point Plan:

Point 1: Ensure payments meet financial and program requirements
Point 2: Check and correct problem files
Point 3: Equip and support staff
Point 4: Ensure accountability for results
Point 5: Get the best advice available
Point 6: Report progress to the public and staff

Within each of the above Points are a series of commitments that will be undertaken in order to address the 6 Point Plan requirements.

Scope of the Review:

In reviewing the degree of progress against the 6 Point Plan, we focused on the following questions:

- What activities/products are planned to meet each commitment under the Plan?
- Are planned activities appropriate to achieve the commitments?
- Have activities occurred as planned?

Our assessment uses the original 6 Point Plan and respective commitments for each Point as the baseline. Our assessment does **not** include commenting on the comprehensiveness of the 6 Point Plan itself, nor whether the specific commitments for each of the six Points adequately addresses each Point.

General Assessment of Progress Against Plan:

The Department has been successful in quickly implementing a management structure and mobilizing a Grants and Contribution project team to effectively execute the 6 Point Plan. Substantial senior level management involvement has been devoted to ensure progress in achieving the various activities that support the commitments under each of the 6 points of the Plan. Five task teams were formed to address immediate requirements with respect to: Policy; Aboriginal Programs; Systems; Supporting People; and, Training and Tools.

Substantial progress to date (May 15, 2000) has been made against each of the 6 points of the plan. A detailed reporting of the activities that support achieving the commitments for each of the 6 points are provided in the attached presentation entitled "Assessment of Progress against the Grants and Contributions National Action Plan, Part I", dated June, 2000. A summary table representing completion against Plan is provided below.

Section	Number of Commitments	Number Complete or Ongoing as scheduled	Partially Complete
Point 1: Ensure Payments Meet Financial & Program Requirements	5	5	
Point 2: Check & Correct Problem Files	5	5	
Point 3: Equip and Support Our Staff	7	5	2
Point 4: Ensure Accountability for Results	9	9	
Point 5: Get the Best Advice Available	6	6	
Point 6: Report Progress to the Public and Staff	6	6	
Total	**38**	**36**	**2**

Human Resources Development Canada

Assessment of Progress against the Grants and Contributions National Action Plan
PART I - June, 2000

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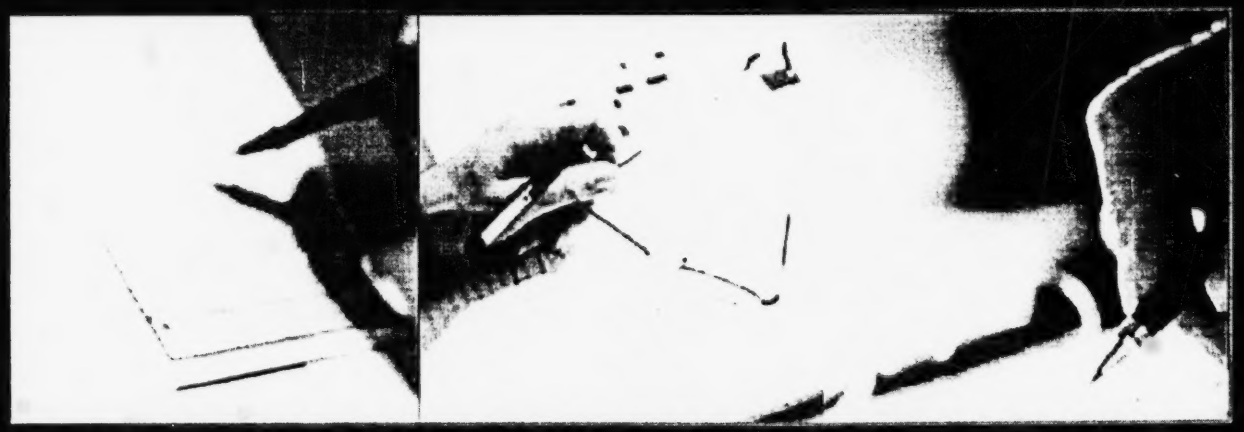
Introduction - Objectives, Scope and Approach



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- Introduction - Objectives, Scope and Approach
- National Grants and Contributions - Context
- Summary of Observations
- Going Forward - Next Steps

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Introduction

- **PricewaterhouseCoopers was retained by Human Resources Development Canada (HRDC) to conduct an independent assessment of the implementation of the department's Grants and Contributions Action Plan in order to:**

  - provide an assessment of, and comment on the status of, the implementation of the commitment activities in support of the six points outlined in the plan; and
  - verify the existence of evidence as reported in the action plan.

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Scope

- **Our work did not include:**
  - an assessment of the comprehensiveness of the six-point action plan itself; and
  - an assessment of whether, in meeting the specific commitments outlined for each of the six points in the plan, the department has adequately addressed the point itself.

Approach

- **The assessment is being done in two Phases:**
  - Phase I - preliminary report on findings by June 23, 2000; and
  - Phase II - update report on findings by January 31, 2001.
- **This document is the Phase I report**

Methodology

- **Our approach was to conduct a "top down" snapshot of progress against the action plan at a point in time:**
  - we selected May 15/00 as the specific point in time.
- **For each commitment, our focus was on the following questions:**
  - what activities/products are planned to meet the commitment?
  - are planned activities appropriate to achieve the commitment?
  - have activities occurred as planned?

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Methodology (cont'd)

- **We used a "tailored discussion" format in a series of in-depth interviews with a cross-section of individuals:**
  - data was collected in the May timeframe; and
  - we were able to conduct over 30 interviews with individuals representing all groups with accountability for the action plan including FAS, HRIB, Systems, Communications, Human Resources, REHs.
- **We conducted a site visit to the Ontario region.**
- **In addition to the interviews and site visit, a significant amount of documentation was provided to us and reviewed.**

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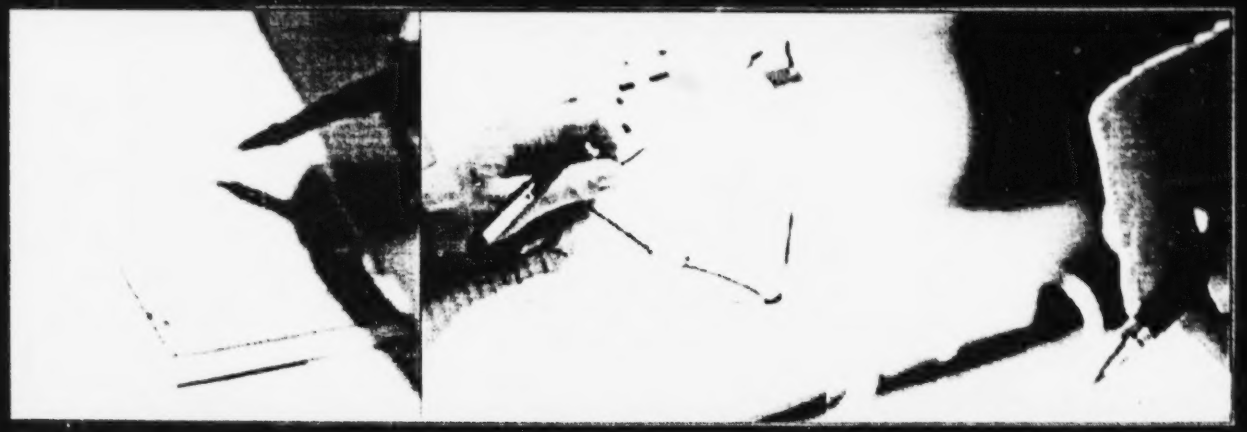
National Grants and Contributions - Context



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National Grants and Contributions - Context

- **In 1999, the department conducted an internal audit of documentation in the project files and found deficiencies in the administration of grants and contributions.**
  - the audit did not find that funds were missing or wasted.
- **In response, the department developed a 6-point National Action Plan outlining the department's strategy to strengthen the administration of Grants and Contributions.**

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The Six-point Plan

- **The elements of the six-point plan are as follows:**
  - Point 1: Ensure payments meet financial and program requirements;
  - Point 2: Check and correct problem files;
  - Point 3: Equip and support staff;
  - Point 4: Ensure accountability for results;
  - Point 5: Get the best advice available; and
  - Point 6: Report progress to the public and staff.

- **Within each point are a series of commitments that will be undertaken in order to address the action plan requirements.**

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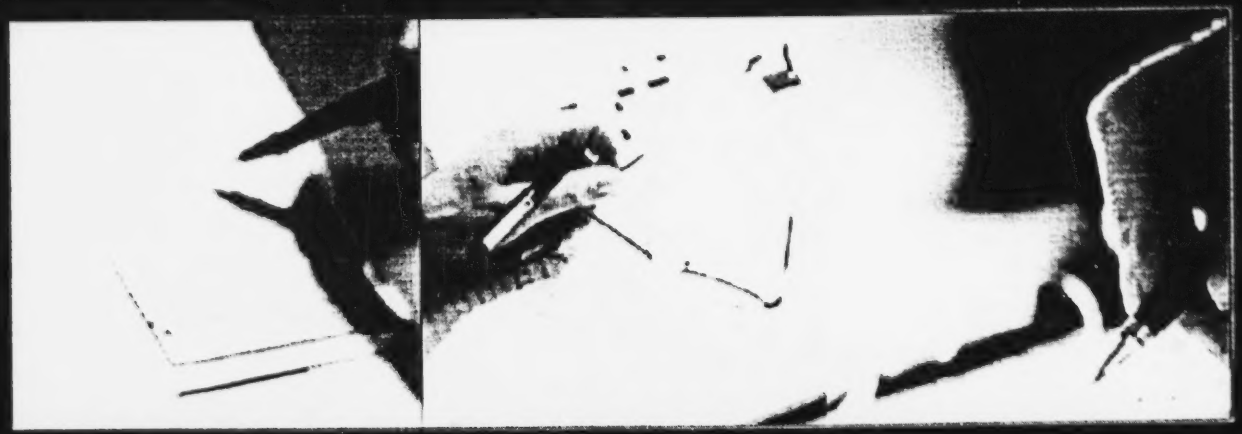
Summary of Observations



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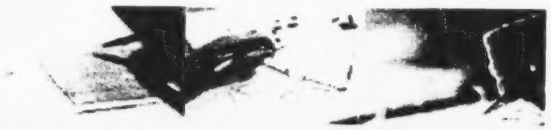
The Department has moved quickly to ensure effective execution of the national action plan

- **The Department has put a management structure in place to implement the action plan. For example:**
  - the Senior ADM, Service Delivery was named by the Deputy Minister to lead the implementation of the six-point plan.
  - the Grants and Contributions Steering Committee oversees implementation of the plan and supports changes in the administration of grants and contributions
    - the committee is co-chaired by the Senior ADM of Service Delivery and two ADMs from Human Resources Investment Branch (HRIB); and
    - membership includes permanent representation from both the regional level (Saskatchewan, Quebec, Newfoundland and Ontario) and NHQ (Financial and Administrative Services, Human Resources, Systems, Communications).

The Department has moved quickly to ensure effective execution of the national action plan

- **A Grants and Contributions Project Team is in place to ensure co-ordination and follow-up of actions:**
- **5 Task Teams were formed to address immediate requirements with respect to:**
  - Policy;
  - Aboriginal Programs;
  - Systems;
  - Supporting People; and
  - Training and tools.

  The activities of these task teams have subsequently been incorporated into the activities of the Grants & Contributions Project Team



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Summary of Progress: Status categories

Status	Explanation of PwC Interpretation
Complete or Ongoing as Scheduled	• Commitment activities were completed as planned. • Commitment activities are ongoing as planned.
Partially Complete	• Commitment activities have commenced, however some activities are yet to be completed and have been re-scheduled

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A Summary of Progress (to May 15, 2000)

Section	Number of Commitments	Complete or Ongoing as Scheduled	Partially Complete
Point 1: Ensure Payments Meet Financial & Program Requirements	5	5	
Point 2: Check & Correct Problem Files	5	5	
Point 3: Equip and Support Our Staff	7	5	2
Point 4: Ensure Accountability for Results	9	9	
Point 5: Get the Best Advice Available	6	6	
Point 6: Report Progress to the Public and Staff	6	6	
Total	**38**	**36**	**2**

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Section 1 – Ensure Payments Meet Financial and Program Requirements

Action Plan Commitment	Status
1.1 Directives will be issued that no payments will be made without written verification that 5 essential criteria are met	Complete
1.2 Follow up training will be provided to ensure good understanding of this directive by all program delivery and financial staff	Complete
1.3 Confirmation of program criteria (differentiated by program as needed) to be met in reviewing active and new files for completeness	Complete
1.4 Review of all active contribution agreements to ensure files are complete (I.e., meet essential financial and program criteria), and certified by the responsibility centre Director, REH, or ADM	Complete
1.5 Track performance by conducting regular monitoring - includes review of a sample of active files and field visits (national results monthly; regional results quarterly)	Complete and ongoing

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Section 2 – Check and Correct Problem Files

Action Plan Commitment	Status
2.1 Review 37 files flagged for further analysis and carry out needed follow-up, if any (e.g., attributing expenditures to the correct fiscal year, establishing overpayment, or other)	Complete
2.2 Develop cost-effective screening method for reviewing closed files for 99-00 and 98-99 to identify those most likely to require further analysis; method to be reviewed independently	Complete
2.3 Apply Screening Method, review files, and complete follow up as needed	Ongoing (scheduled completion Aug 31, 2000)
2.4 Follow-up: based on effectiveness of this review, determine (with independent advice) the cost-effectiveness of reviewing earlier closed files	Ongoing (scheduled completion Sept. 30, 2000)
2.5 In all cases, whatever action is warranted will be taken (e.g. recover OP, refer suspected illegal activity to the police etc.)	Ongoing

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Section 3 – Equip and Support Our Staff

Action Plan Commitment	Status
3.1 Provide clear direction on expectations regarding equipment and support needed	Ongoing
3.2 Seek the views and concerns of program and financial staff at NHQ, regional and local offices regarding issues relating to the management of Gs and Cs; incorporate the results as appropriate	Complete (activities continue)
3.3 Provide better tools (including better information systems, e.g., for tracking the performance history of project sponsors), to simplify management and monitoring of projects	Partially Complete (details on Page A2-23)

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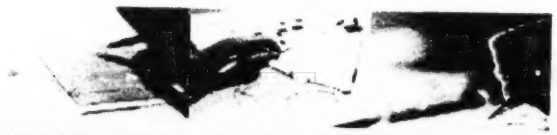
Section 3 – Equip and Support Our Staff (cont'd)

Action Plan Commitment	Status
3.4 Assess workload and staff capacity associated with renewing the management of grants and contributions, and determine resource, classification, staffing, and training needs	Complete
3.5 Determine needs and conduct training to ensure staff have the knowledge necessary to carry out the tasks expected	Partially Complete (details on Page A2-24)
3.6 Arrange temporary additional resources to support the action plan, including strengthening the Grants and Contributions Management Renewal Office	Complete
3.7 Assess staff response as a standing item on National Management Board Agenda	Ongoing



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Section 3 – Equip and Support Our Staff (cont'd)

3.3 Provide better tools to simplify management and monitoring of projects	Partially Complete
1. Inventory and gap analysis of tools:	**Complete**
2. Identify national products:	**Complete**
3. Develop national products:	**Complete**--model file, checklists, sponsor pamphlet **Rescheduled** (to June 2000)--Operations Manual
4. Address Operational Policy Issues:	**Complete:** Advances, Advance Coding, Monitoring **Rescheduled** (to July 2000)--Lapsing Funds, EI Part II, and Updated HRDC policy to support grants and contribution policy released by Treasury Board in June 2000
5. Design Grants & Contributions web site:	**Complete**
6. Provide training on existing computer systems:	**Complete**
7. Develop computer systems to assist management & control:	**Complete**--CMS implementation, user needs analysis for intermediate solution, concept paper to support long term solution **Rescheduled** (to Fall 2000): Use CJS-1 as primary management information system

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Section 3 – Equip and Support Our Staff (cont'd)

3.5 Determine needs and conduct training to ensure staff have the necessary knowledge	**Partially Complete**
1. Immediate training to all employees	**Complete**
2. Develop skills profile	**Complete**
3. Develop a needs assessment tool	**Rescheduled** (to July 2000)
4. Conduct needs assessment	**Rescheduled** (to September 2000)
5. Identify requirements, assess and enhance training material:	**Complete:** Sponsor pamphlet, BTV Session on 10 Principles, Web-site, two of five training modules **Rescheduled** (to June/July 2000) three of five training modules, Operational Manual
6. Deliver training	**Ongoing**
7. Field test new training modules	**Completed:** One of five modules **Rescheduled** (to Fall 2000): Four of five modules
8. Develop general and specific rules on Grants & Contributions for employees:	**Complete**
9. Develop and publicise a training strategy	**Rescheduled** (to July 2000)
10. Develop new organisational structure to support Gs & Cs	**Complete**
11. Support employees	**Complete** (activities continue)

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Section 4 – Ensure Accountability for Results

Action Plan Commitment	Status
4.1 Make requirement to implement action plan part of basic job requirements for all Exs and other managers involved in managing grants and contributions	Complete
4.2 Report quarterly to Minister in two parts • report on the national performance tracking directorate • report on progress against the action plan As information on program results becomes available, either through completed evaluations or year-end program reporting, it will be included in the quarterly reports	Ongoing
4.3 Report to Parliament through Committee and through the Plans and Priorities document and Departmental Performance Report	Ongoing
4.4 Review and confirm or amend accountability and management structures and work processes (including, e.g., segregation of duties, post-audits) relating to grants and contributions, to ensure clarity and effectiveness	Complete and Ongoing

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Section 4 – Ensure Accountability for Results

Action Plan Commitment	Status
4.5 Eliminate all instances of computer users having more than one active code	Complete
4.6 Keep staff informed through monthly progress bulletins	Ongoing
4.7 Report every other week to regional national senior managers' conference call (standing item)	Ongoing
4.8 Assess cost-benefit of applying ISO 9000 or similar quality assurance tool	Complete
4.9 Get outside expert advice to assess and comment on adequacy of progress on the action plan	Ongoing

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Section 5 – Get the Best Advice Available

Action Plan Commitment	Status
5.1 Consult with TB Comptrollership Standards Advisory Board, the Office of the Auditor General, and key DM colleagues, and incorporate their advice into the action plan	Complete
5.2 Obtain an independent assessment of the action plan from a senior private sector financial expert	Complete
5.3 Exchange information and best practices with other federal departments that manage significant grants and contributions programs	Ongoing
5.4 Draw on expertise of experienced HRDC local, regional and national staff	Complete
5.5 Review progress quarterly with co-chairs (or delegates) of the TB Comptrollership Standards Advisory Board	Complete (future reviews will be on as required basis)
5.6 Meet monthly with the Assistant Auditor General to review progress	Ongoing

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Section 6 – Report Progress to Public and Staff

Action Plan Commitment	Status
6.1 External – inform sponsors and partners of plans and progress	Complete and Ongoing
6.2 External – brief the press on quarterly reports	Ongoing
6.3 External – correct misinformation as appropriate	Ongoing
6.4 Internal – Minister and DM to speak to all program delivery staff about action plan, using closed circuit TV	Complete
6.5 Internal – develop a communications strategy that will provide regular communications with all staff using a variety of formats including bulletins, web site, close circuit TV, etc.	Ongoing
6.6 Internal – DM and Associate DM will schedule roundtable discussions with a cross-section of staff on all visits to regional or local offices	Ongoing

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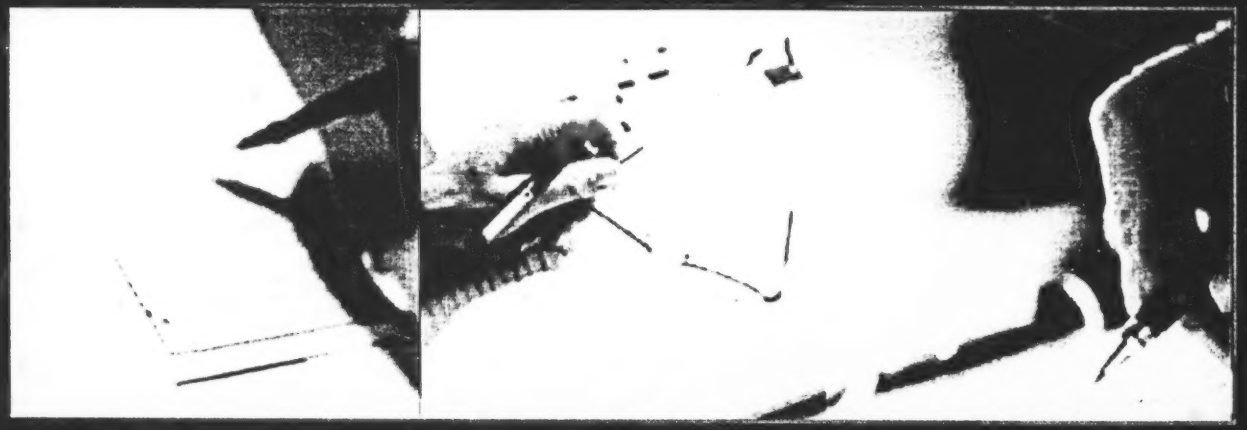
Going Forward - Next Steps



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Going Forward

- **Develop final report for January 2001**
  - High level follow up on progress of all continuing activities, with focus on:
    - systems activities;
    - Performance Tracking Directorate activities (including degree of compliance and follow up activities);
    - dormant file review;
    - training strategy implementation;
    - policy development and implementation; and
    - Action Plan co-ordination.

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